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What MBA Told the Taft Committee

A condensation of our report to the Senate Committee studying postwar housing and financing

LAST month saw the wind-up of one of the most interesting and important congressional hearings ever held in Washington from the standpoint of mortgage lending. Generally known as the Taft Committee but officially known as the Special Committee on Postwar Economic Policy and Planning of the United States Senate, it represents a group of senators who have been examining witnesses from every field interested in building on what they think is wrong with housing and how they would correct it.

The Taft group has its eyes on post-war because it knows that when the war ends and the pressure will be on for those sixty million jobs everyone is talking about, new construction is sure to offer one of the greatest sources of employment.

It is impossible to offer a complete review in *The Mortgage Banker* of everything said and proposed at the hearings. This publication isn't large enough to present even the complete text of MBA's recommendations although members who would like a mimeographed copy may have one on request.

Generally speaking, the public housers, the social planners and the dreamers demanded public housing programs as the key to future prosperity. They did a pretty good job of presenting their case too, principally because these groups are well-organized and working hard and fully determined to reach their well-defined objectives.

If the Taft hearings did nothing else, they certainly brought out in bold relief just what private enterprise faces in the field of housing. No mortgage man can ever again pass off the public housing question as something academic. Public housing has reached a boiling point; it's now a question as to when it boils over.

Labor was out in full force demanding a great volume of jobs—and, as you might suspect, cheaper money. Some labor representatives seem to believe that reducing interest rates to some fantastically low figure is all that is needed. Senator Taft seemed to catch the point and was quick to point out that there is a limit to what the government can spend because there is a limit to the money it can get its hands on. Which is what thoughtful clearing-thinking men have been saying all along—without making too much of an impression it now appears.

Our own presentation emphasized those ideas and views which we know from past experience reflect the opinions of the large majority of not only our own members but mortgage men generally. We repeated our opposition to public housing as it has often been used in the past and is proposed for the fu-

ture. We called for liquidation of emergency government agencies when the emergency has passed, for the demolition of temporary war housing and for the government to stay out of the financial field as a direct lender on housing. We said the FHA and NHA should be divorced and that appraisal standards in home building must be lifted.

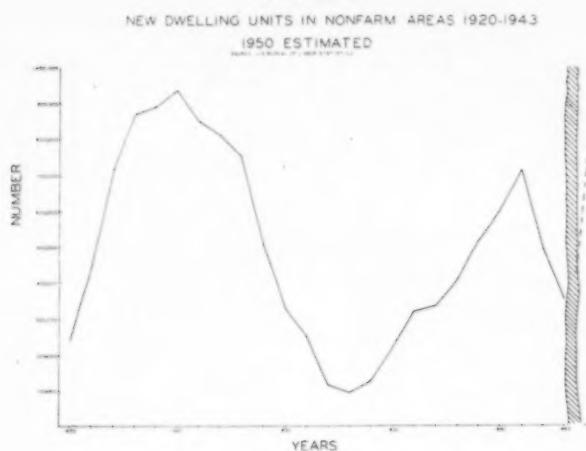
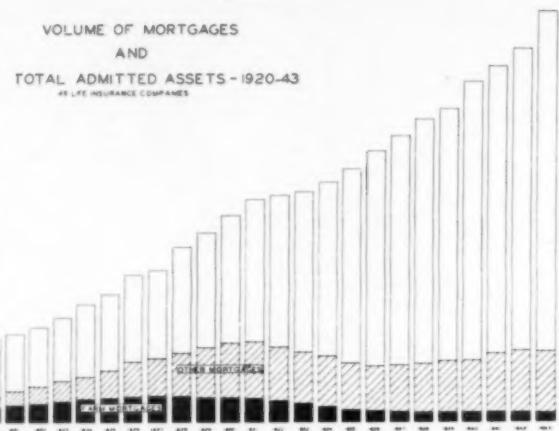
At the outset Mr. Mahan told the senators that the "purpose of our report is to present studies of available funds, interest rates, and our observations of conditions as they exist today in making loans secured by both city and farm properties. We shall outline some of the aids which might improve lending conditions and enable both government and private enterprise to be of greater assistance in the development of better housing throughout the United States."

Our presentation then launched into a discussion of the specific points which Senator Taft had outlined in his letter of invitation as being some of those in which his group was interested.

Nature of the permanent federal administrative organization of the housing agencies: Mr. Mahan pointed out that "problems of urban and non-urban housing do not arise from the same causes, nor would their solution have the same social or economic effect. There may be some inter-locking functions which should be considered in any permanent federal administrative organization but we believe, however, that the direction of rural housing should remain under the Agricultural Department.

"Regarding urban housing, it is ob-

**A MORTGAGE MAN'S
BLUEPRINT FOR THE
FUTURE OF HOUSING
AND FINANCING**

CHART I**CHART II**

vious that without central direction, the many existing agencies created at different times for entirely different purposes will be working at cross-purposes with a duplication of effort. We believe that the cost can be greatly reduced if a comprehensive program is developed under unified direction."

"The government acted wisely in simplifying the organization in order to expedite war housing and to prepare the nation for any emergency which might arise to improve our war effort and production."

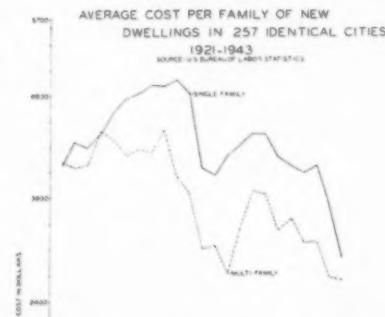
"However, it is the consensus of opinion of members of the Mortgage Bankers Association of America, based on surveys made, that when the war emergency has passed, FHA be divorced from the National Housing Agency. We also contend that the functions of finance, of credit, or the insuring of credit, as they pertain to housing, should not be involved with the many technical problems of housing, construction and research.

"The question may be asked as to what disposition and under which direction the Federal Home Loan Bank Board should be placed. Providing there could be established uniform standards of appraisal, which would apply to all government agencies having to do with urban housing, we would encourage the development of a plan whereby FHA and the Federal Home Loan Bank Board could be directed through some agency such as the Federal Loan Agency; but we would not encourage any correlation of the activities of FHA

and the Federal Home Loan Bank Board unless the same lending philosophies and the same standards of appraisal be applied to both.

"Our Association opposes public housing wherein the federal government becomes the direct owner or operator of housing property. Likewise, we oppose any plan which establishes the government, federal or state, as a direct lender. The only exception would be when some unusual social or economic crisis exists which might require subsidy, such as disaster caused by flood, earthquake or some other catastrophe.

"We believe that government agencies created in emergencies should be liquidated as soon as the emergency has passed.

CHART III

Note from the above chart that the cost has been gradually declining. In view of this trend and the fact that the average income is gradually increasing, it was MBA's contention before the committee that the number of lower income families to be properly housed will gradually be increased in the postwar years. We emphasized that private enterprise and government should do everything possible to encourage lower unit cost and to maintain higher income levels, particularly for groups which earned less than \$1,500 a year prior to 1941.

Disposal of war housing: Our report recommended that the "disposition of real estate, including war housing, be centralized in one agency and that careful consideration be given to an orderly liquidation of all real property. Construction of a purely emergency nature which would tend to distort normal trends, either in population shifts or in property values within given communities, should be demolished as soon as it is determined that the emergency has passed.

"In the main we subscribe to the recommendations in the Baruch-Hancock Report on War and Post-War Adjustment Policies."

Problems of revival of the home building industry, including relaxation of wartime controls: Under this section Mr. Mahan made what to many will seem to be one of the most interesting suggestions heard at the hearings. He proposed "that as soon as vital materials can be released, the War Production Board, under the direction of the National Housing Agency, develop a housing program somewhat along the following lines:

(a) That housing allocated to respective areas be distributed substantially as follows:

(1) 5 per cent to 10 per cent to custom-built or so-called contract housing, limiting the cost (sales price) of each unit to \$9,000.

(2) 20 per cent to 25 per cent for rental housing, with a rental limit of \$75 per month.

(3) 70 per cent to 75 per cent to single family housing to be built for home owners, or to operative builders for sale to home owners, the limit of cost (sales price) of each unit to be \$8,000.

(b) That careful consideration be given by the National Housing Agency to the allocation and distribution of this housing and, where practical, that it be allocated to municipalities within metropolitan areas rather than bulk distribution to entire districts or areas.

(c) That the initial allocation of housing be limited to substantially improved land.

(d) That the building of residential units for negro families be encouraged under the direction of the National Housing Agency, but that the percentage of such negro housing be in the ratio that the negro population of a given community bears to the total population.

"Because of the acute shortage of housing, we recommend that present controls be continued until there is a normal flow of materials and available labor."

Role of the federal government in future public housing: This was the subject that most of those who appeared had the most definite ideas about. In another section of this issue we have collected a few of the suggestions and observations which others made on public housing. Mr. Mahan stated our case something like this:

"We believe in the general principle that private enterprise and local communities should be responsible for the development of housing needs of the people. The federal government, however, has a clear responsibility to help private enterprise and local communities do the job, and in our opinion, can best aid in the following manner:

(1) In assembling data and information on housing problems. This sometimes requires the correlation of activities of all agencies having to do with housing, and in some instances might extend to such departments as the Post Office in determining vacancy studies. Our Association does not subscribe to the idea that it is the responsibility of government to subsidize

home construction for any particular class of citizens.

(2) We believe that much can be done to perfect construction methods and in the development of processes whereby adequate housing can be produced for people in the lower income brackets at less cost than by the methods now employed.

It is significant that the cost of the family unit is actually being reduced. The average cost per family of new dwellings in 257 identical cities, as shown by studies made by the Bureau of Labor Statistics (*See Chart III*) was \$4,385 in 1930 as compared to \$3,268 in 1942; for multiple units, the cost is reduced from \$3,857 in 1937 to \$2,750 in 1942.

(3) Still further reductions can be made by the adaptation of better and more efficient construction methods. It is this type of study to which the government should direct its attention and, by so doing, could assist in the overall program of producing proper and adequate housing for all. We

suggest federal interest in the development of building codes, zoning and planning laws, equitable taxation of real property, both farm and city, standardized appraisal methods, experimentation and research in new building materials and processing of standard materials, available labor and material studies, building standards adaptable to various geographic sections, and cost studies.

Types and methods of private credit aids: "We believe private industry can assist a national housing program by improving some of the present methods and practices. Among them are:

(a) We believe that there is too much duplication of work and effort and that a closer cooperation of all Associations would be helpful. We recommend that a National Conference of representatives of various Associations be called to jointly discuss the housing problem. The Conference should be similar to the President's Conference on Home Building and Home Ownership of 1931, but limited to two or three representatives from each of the interested organizations.

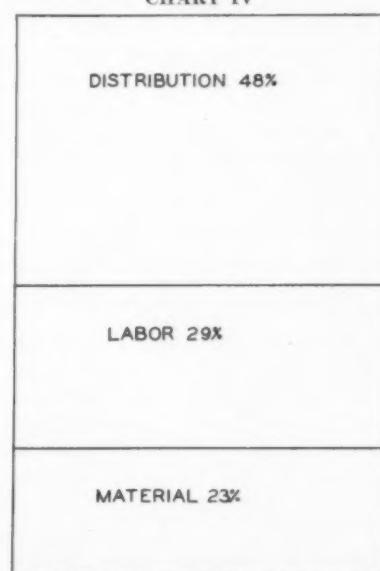
(b) Private enterprise should endeavor to establish more uniform lending practices and, in certain states, more uniform mortgage laws should be adopted. This would encourage an equal flow of mortgage money to all areas, whereas at the present time certain states and areas are handicapped because of obsolete mortgage law and practices.

We believe FHA has been an aid to mortgage lending and has encouraged greater home ownership. We feel, however, that certain practices should be amended to facilitate better relations in the future."

Pursuing the subject further, Mahan said: "To give the public the advantages of low-priced housing in the post-war era will necessitate the construction of homes on a *wholesale* rather than *retail* basis. Many financial institutions are limited to loans not exceeding 10 per cent of their capital and surplus to any one builder. Through the medium of FHA, however, and the vast market created by FHA insurance, lending in-

\$5,000 PREWAR HOUSE COSTS

CHART IV



Referring to this chart showing the allocation of cost of a \$5,000 pre-war house as to distribution, labor and material, our report said "We believe that much can be done to lower the distribution cost by the development of more efficient building methods and by encouraging wholesale rather than retail building."

stitutions can make it possible for builders to operate on a wholesale basis.

"Private enterprise should establish more uniform methods of appraisal which we believe can only be accomplished by carefully thought out educational programs. We regret that *one of the greatest hazards and dangers in mortgage financing today is the lack of uniform appraisal methods.* We find that a variance of as much as 50 per cent will occur in appraisals of a given piece of property. Appraising is largely a matter of opinion yet by more uniform practices the appraisal of a given piece of property among experienced lenders should not vary over 5 to 10 per cent in a given community.

"The mortgage indenture should be more flexible to enable the borrower and the lender to make adjustments throughout the term of the mortgage to meet special conditions. In the operation of the mortgage business as it now exists, we find that any change in the original terms usually necessitates the preparation of entirely new papers or refinancing the existing loan at an excessive cost to the borrower.

"Mortgage lending should be placed on a professional basis and mortgage institutions should be encouraged as the agencies through which mortgage financing should be directed. We likewise would encourage these institutions to improve their servicing methods which means more effective method of collection, more careful study of delinquencies and a closer relationship with the borrower throughout the term of the loan."

Relation of housing agencies to the general credit policy of the government: "We believe and state again, that the National Housing Agency should be a fact finding agency to accumulate data and information for all government and private agencies interested in home construction. The credit of the government should not be used for the development of housing needs (except in the case of catastrophe) as *there are sufficient funds in the hands of private enterprise to take care of all such credit needs of the country.* (See Chart V). We do not believe that the housing of the indigent, the improvident and the laggard should be a part of this study as it resolves itself

Private Capital Can Finance Postwar Housing

One of the most important points which the MBA presentation to the Taft committee emphasized was that there is plenty of private capital available in this country to handle postwar building. Mr. Mahan submitted his own estimate (*published in The Mortgage Banker, July, 1944*) that on December 31, 1943 the total mortgage debt of the country was nearly \$34½ billion of which private interests held about ten times as much as the government agencies.

At that time we observed that this conclusively shows that even though the federal government has been an active and aggressive competitor for mortgage loans for many years, the business is still largely in private hands. Mr. Mahan also pointed out that about \$6½ billion is invested in farm loans and over \$27¾ billion in urban and other loans.

"We would direct the Committee's attention to the fact that the mortgages are well distributed as to class and type of lender, which is a healthy condition in our economy," he said.

One study recently made by MBA shows the growth of the admitted assets of forty-nine leading life companies from 1920 through 1943. There were \$6,935,972,000 in 1920 which increased to \$34,400,000,000 in 1943. The percentage of mortgage investments was 32 per cent

in 1920 and increased to over 43 per cent in 1927, and on December 31, 1943, was 14.24 per cent. (See Chart II, page 2.)

It is now estimated that total admitted assets of all life insurance companies as of December 31, 1944, exceeds \$41,000,000,000.

"Insurance companies will generally concede, I think, that 40 per cent of their total admitted assets could be invested in mortgage loans. Thus it could be assumed that there are potential funds for mortgage investments by life companies equal to 40 per cent of \$41,000,000,000, or approximately \$16,400,000,000. Deducting the present volume outstanding on December 31, 1944 of \$6,935,000,000, this would leave approximately \$9,500,000,000 available for mortgage investment by this one group of investors alone.

"We do not contend that this sum is immediately available but think it may be released for mortgage investment in the postwar years. In addition, there is available in commercial banks and trust companies, mutual savings banks, fraternal and social organizations and in individual savings, an additional ten to fifteen billion dollars, making a total of from nineteen to twenty-four billion dollars. *This is sufficient to finance the most ambitious building program which labor and materials could develop in the postwar years.*"

entirely into a social rather than an economic function. It is beyond the scope of private enterprise to provide satisfactory housing for this particular group of citizenry, and such groups should be considered entirely separate from what has recently been termed the low income wage earner."

Effect of veterans' loans on the housing picture: "We believe that previous estimates as to the number of veterans eligible for and desiring new homes are excessive. Our projection of

housing requirements after the war (See Chart I) anticipates the effect of the Servicemen's Readjustment Act of 1944 on the national housing requirements.

"While credit has been made easy to the veteran, and his equity in the home may be made available to him by virtue of the Act, it must be remembered that *this is a loan and not a gift to the veteran,* and under this circumstance, he is going to be reluctant to enter into a contract to purchase a home unless he

is fairly well assured that his income is sufficient to meet the required payments.

"It is also our observation that the veterans now being discharged are reluctant to pay the excessive cost for right of occupancy, which in many communities ranges from 20 per cent to 35 per cent above the fair appraised value of the property based on normal standards. The Veterans Administration has a grave responsibility in the administration of the Act in making certain that the veteran is not being penalized by purchases at inflated values which may result in later loss to him. Eventually the very purpose and intent of the Act as passed by Congress, might be lost."

Relation of rural housing and urban rehabilitation to the general housing problem: During the early years of his mortgage experience, Mr. Mahan was principally interested in farm lending and made a special study of this section. He told the senators that the most obvious rural housing need seems to be reducing costs. "The Mortgage Bankers Association believes that legislators and others considering this problem are most likely to err in approaching the rural housing problem by encouraging farmers to make heavier investments in their farm homes than the inherent earning capacity of their farms will warrant.

"Certainly all segments of our population would like to see every American farmer housed in an adequate and well-equipped home. However, we approach this problem primarily from an economic point of view and cannot lose sight of the necessity for paying for these rural homes. We must always be conscious of the low net incomes of a large proportion of American farmers, particularly in certain geographic areas of our country. It would be an economic burden and an injustice to saddle this group with an unbearable debt for housing facilities they cannot pay for. The ultimate result would be a wholesale loss of equity.

"The factors affecting the amount a farmer can spend for his residence are different from those of urban owners. As a rule of thumb, city residences should not exceed in value $2\frac{1}{2}$ times the annual income of the owner. Investment in a farm residence certainly should not exceed nor equal this

PURDUE FARM SEMINAR NOT TO BE CANCELLED

Despite the ban on conventions and Clinic meetings, MBA's Seminar on farm lending scheduled for June at Purdue University will not be cancelled. It is educational and does not come within the ban but attendance will be limited—in fact, that has been included in the plans all along. The program is almost complete and will be announced soon.

figure. It is interesting to note that the net cash income of farmers for both 1935-39 and for 1940 shows that the most common income of this group is less than \$500. The cost of ownership of a well constructed frame house may be estimated at 7.5 per cent of the new cost of the property. A \$3,000 house, for example, would have an estimated annual cost of ownership of \$225 or \$18.75 per month.

"The following are general principles which we believe to be sound reasoning for the outlook of rural housing in the postwar period.

(1) The amount invested in a farm residence, especially if debt is involved, should be conservative. Gross farm income goes for production expenses, family living expenses and for debt servicing.

(2) In many parts of the United States where improvements on farms are generally over-built, buildings may be purchased cheaper than they can be built. This condition we believe will continue in the near postwar period.

(3) The erection of farm service buildings should not be slighted unduly in order to invest more money in a farm residence. The contribution of the residence to farm income is secondary to that of farm service buildings.

(4) The major expenditures for farm residence in most areas should be for modernization and adaptation rather than for new construction.

(5) Rural housing problems should be adapted to the areas where the need is greatest.

Other suggestions: Among the other proposals which MBA laid before members of the committee were: That universities and colleges offer more educational courses on real estate and appraisals, that similar courses in night schools be encouraged, that national organizations hold more Clinic-type meetings on appraisal matters, and that young men and returning veterans be shown the advantages of careers in real estate and appraisal work.

Another was that "we believe that a careful study should be made of ways and means of making the distribution of securities secured by real property—such as apartments, hotels, office buildings, etc.—less costly to the borrower. The controls of the Securities and Exchange Commission are, in the main, established to protect the public on investment in issues having nationwide distribution, and are applicable, because of their cost, chiefly to issues in excess of one million dollars.

"There is a zone between the \$100,000 issue and the \$1,000,000 issue which should be encouraged, and we believe that the proper controls for these issues should surround (a) appraisal methods; (b) proper building standards; (c) estimates of operating income and expenses based on experience; and (d) on some borrower of financial strength having an equity in the project.

"We would recommend that a committee be appointed to study the Securities and Exchange Act of 1934 to determine the changes that should be made to make it applicable to urban rehabilitation and, at the same time, encourage proper controls over the distribution of real estate securities so that the investing public may be protected against the unscrupulous promoters.

"We also believe that the time has come when a commission should be appointed to review the entire rural credit structure, similar to the one appointed by President Wilson in 1913.

"Our Association believes that real property taxes in many urban and suburban communities as presently assessed are far out of line with the actual or estimated earning power of the properties and are a serious deterrent to the development of housing for the lower

(Continued page 8, column 1)

WHAT OTHERS TOLD THE TAFT COMMITTEE

Eric A. Johnston, president, U. S. Chamber: "The emergency grouping of federal housing activities in the National Housing Agency was for the purpose of programming and building houses for war workers.

"This important objective has been very largely accomplished. . . . But neither the programming of houses to be built by private builders nor the building of war houses by the government will be necessary activities when the war is over.

"After the war such agencies as the Federal Home Loan Bank Board and the Federal Housing Administration should not be handicapped by being made a part of either a war housing liquidation activity or of a subsidized rental government housing activity."

Herbert U. Nelson, NAREB: "The herding together of people of modest incomes in federal projects is in itself unwholesome. It creates a type of citizenship which has a lively awareness of public benefits received or about to be received. The political implications of public housing projects are obvious and to us seem most dangerous.

"A careful survey indicates that most of the building that will take place after the war will be in the higher brackets, running from \$7,500 and up. A total volume of some 300,000 or 400,000 family units in the first year after the war might be expected."

Joseph E. Merrion, president, National Association of Home Builders: "Public housing is the first step in the socialization of our country."

Irving W. Clark, chairman, residential committee, The Producers' Council, Inc.: "Provision of Section 203 of the National Housing Act should be changed so that there is no differential treatment accorded new and existing construction. The down payment requirements should not be more onerous for existing construction than for new construction. The presumption that risks secured by older properties are, *per se*, greater is not valid, if the same rules of eligibility are applied, and provided that there is a realistic valuation of the properties and an intelligent patterning of the loans so as to acceler-

ate amortization when circumstances justify."

Elbert S. Brigham, president, National Life of Vermont: "When the war is over FHA should be restored to its position as an independent loan-insuring agency responsible directly to the President and to Congress. There is a danger of letting the postwar housing program become a means either of pump-priming or social reform. FHA has made outstanding contributions to the housing program through its policy of insuring loans by private industry to private builders. The public housing program is another matter. The average public housing unit rents for \$20.17 and costs the taxpayers \$23.14 in treasury contribution, subsidized lower interest rates and in exemption from local taxation."

Seward H. Mott, director, Urban Land Institute: "What steps can be taken by the federal government to assist private enterprise in building post-war homes? We recommend:

Elimination or more careful control of federal subsidized housing; establishment of a research laboratory to promote better housing, test building materials, and assist with building codes; passage of urban redevelopment legislation; and elimination of rent and other controls as soon as possible if the building industry is to flourish."

Boris Shishkin, A. F. of L. economist: "I see little chance for important economies through an annual wage guarantee or through prefabrication of homes. Some labor cost savings can be made as a result of wartime progress toward more economical construction methods."

R. J. Thomas, president, United Automobile Workers, and chairman, CIO housing committee: "It would be highly beneficial to all concerned to reorganize the building industry so that employment and production would become continuous the year around.

"Year-round employment for the worker would permit a guaranteed annual wage, which would increase his annual income, and at the same time, give him a sense of security which would

inevitably increase his productivity and result in lower unit cost."

Arthur G. Erdmann, president, National Savings and Loan League: "We recommend: That the Federal Home Loan Bank Board be re-established as a five-member board with added powers to make it the over-all federal agency dealing with private home-financing institutions.

"That steps be taken to include in the membership of the Federal Home Loan Bank System all types of institutions that make long-term loans for the financing of housing."

Harry C. Bates, president, A. F. of L.'s Bricklayers Union: "The biggest single cost of home ownership is the cost of financing. We recommend that interest rates be held at a level of 1 per cent above the going rates of interest for government financing. Unless wage incomes are stabilized at a much higher level than they ever were before the war, no formula and no device will enable us to bring good privately built housing within the financial reach of the great mass of our wage earners."

(This demand for a higher wage level as the answer to the housing bottleneck is the A. F. of L. answer to the recent declaration in the bulletin of the National Housing Agency that the best approach to the problem of housing costs is in the reduction of the cost of the structural shell of a house through the development of a building material that would be suitable for the mass production of wall, roof and floor sections.)

Maj. Gen. Philip B. Fleming, Public Works Administrator: "The constant leakage of taxable wealth from the larger cities threatens the bankruptcy of several of them within the foreseeable future. I know of no American city which is planning its own salvation realistically. Carefully planned future development of our cities will prove expensive. In the long run, however, it will be far less costly than a continuation of the unplanned, haphazard cycle of growth and decay which has been tolerated heretofore."

Members who would like the complete statements of any of these men should write the MBA national office.

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MARCH, 1945

Refinancing certificate change is step forward

The new FHA certificate which it is now necessary to submit in connection with all prepayments in full if the 1 per cent adjusted prepayment premium is to be waived, represented another accomplishment of MBA's Washington representatives and committeemen. Some such action had long been requested. FHA's January 22nd ruling was welcome.

In the revised certificate, the mortgagor expressly recognizes that the term "refinancing" is now interpreted to include not only a refinancing by the mortgagor, but also the "payment of the insured mortgage from the proceeds of the sale of the mortgaged property financed in whole or in part by any mortgage executed by or loan made to the purchaser."

In those cases where the insured mortgage is being paid in full from the proceeds of a sale of the mortgaged property, provision has been made in the new certificate for the execution of a statement by the purchaser that the purchase of the property covered by the insured mortgage has been completed without the execution of any note or mortgage or the creation of any obligation or debt by such purchaser.

We've heard little comment about the move so far except from those MBA members who have been most active in FHA negotiations in the capital during the past three years. They all favored the action.

But Charles H. Beutter, vice president, St. Joseph Bank and Trust Company, South Bend, Ind., told E. S. Draper, deputy FHA commissioner, that he thought the agency was "stretching a point in the new definition of refinancing." He wrote:

"It appears to me that you are stretching a point in your new definition of refinancing. I favor a refinancing and prepayment certificate but in defining refinancing, I would limit it to transactions between the original mortgagor and the holder of the mortgage or between the substitute mortgagor and the holder of the mortgage. In other words, if I borrow money from the A bank and later decide to increase the mortgage, or reduce the interest, or to extend the maturity, that is a refinancing operation."

"Your definition now includes the actions of a purchaser of a property who is a third party in no way related to the original mortgage transaction. Why should the new purchaser be influenced to borrow from the existing mortgagee or through the FHA? Why should a seller be hampered in dealing with a purchaser who has the cash or has to borrow the money? Under the new interpretation, if he sells to a person who borrows the money other than through the FHA plan, he must pay the 1 per cent prepayment fee."

"It is possible that I misinterpret the real purpose for the revision, but I suspect that an effort is being made to direct mortgages through the FHA and through the larger lenders and to restrict free competition."

They would like to see a "packaged" mortgage

Representatives of a big home equipment manufacturer were in the MBA office the other day with the idea that postwar mortgages ought to come in a more complete package and include a stove, refrigerator, etc. A year ago the Market Research Department of *Architectural Forum* published a pamphlet

called, "Selling the Second Half Million," part of which was devoted to this subject. Principal objections the researchers found were that mortgage men are convinced that the equipment will wear out before the building, that homeowners can walk off with these easily-removable items and that "plug-in" equipment cannot legally be considered real estate since it isn't attached to the property. Members who missed the pamphlet might want to see a list of states showing the types of equipment that can be included in an FHA loan by mutual consent of borrower and lender. If so, drop us a line.

Realtor spokesman says our home financing plan is good

We liked that blast Herb Nelson of the realtors took at the building industry critics, especially this part: "It (the building industry) is all right. We don't need to worry about our financing system for homes. It is good. What we do need to look at and worry about are the endless interferences of the bureaucrats, government, and some labor leaders who are misled into foolish actions by their temporary political influence. Let's reverse the picture; let's make it profitable to build, then maybe we'll get somewhere. If this doesn't happen we will not and cannot have a postwar housing boom."

Maybe this is what public housers have in mind for us

Public housing *à la Russia*, as Edgar Snow describes it in *The Ukraine Pays the Bill* in the January 27th *Saturday Evening Post*: "The state set up model housing projects where peasants could come, look and learn how to build the same thing in their village. The models are five or six rooms in the old New England style, put together joint by joint, made from top to bottom with little but an ax and a rip saw, covered with thick grass roofs and requiring very few nails. The peasants are allowed to cut the timber they need from the state forests and are helped with transport. Any home builder is entitled to a 10,000-ruble loan from the government without interest, to pay for labor, materials and furniture. By the new technique, fifteen hands can erect one house in a month."

HAS NEW IDEA FOR FARM LAND APPRAISAL SYSTEM

A system of federal farm land appraisal should be established in this country, Dr. Karl Brandt, Stanford University economist, told members of the National Agricultural Credit Committee at their winter meeting.

MBA was represented by S. M. Waters, Minneapolis, chairman, farm loan committee and Secretary George H. Patterson. MBA members Murray Waters, Hartford, and John D. Corley, Des Moines, also attended.

Under the system, Brandt said, appraisers would make wholly unbiased appraisals of the normal value of agricultural land "for anybody at any time."

Financing would be either by individuals qualifying for licenses as the government jointly, or by the government alone, he said.

Garnering support for his project from a recent recommendation by the committee on postwar agricultural policy of the Land Grant Colleges, the economist said, "The appraisal of farms is just as difficult as making a medical diagnosis."

In Australia, the land appraisal system has been successful in stabilizing farm land prices, Dr. C. L. Stewart, professor of agricultural economy, University of Illinois, told the meeting. Farm lands in Australia were appraised as of February, 1942, he said, and no subsequent transfers of property above those levels have been allowed.

TAFT COMMITTEE

(Continued from page 5)

income classes. We further believe that the federal tax program should be revised to encourage individual initiative and the investment of risk capital in the building industry. Taxing authorities should, in our opinion, be given more emphasis to the use value of property."

W. E. VON GUNten ELECTED SUMMIT COUNTY MBA HEAD

W. E. Von Gunten of the Akron Savings and Loan Company, Akron, has been elected president of the Summit County MBA to succeed D. S. Albertson. Walker Barnes of The Wm. H. Evans Building and Loan Association was named vice pres. and Charles Bera was elected secretary and treasurer.

All MBA Clinics, Board Meetings and the Annual Convention Off for This Year

All MBA meetings for this year are off. The executive committee and board voted to take this action. President Mahan's announcement reads as follows:

"The executive committee has approved abandoning clinic and board meetings, conferences and the annual convention until such time as restrictions are lifted by the Office of Defense Transportation. In the meantime, the affairs of the Association will be conducted by the executive committee. Occasional meetings of other committees will be called from time to time, but the Association will,

WOULD LIKE TO SEE FHA DO ALL G.I. LOAN PROCESSING

Des Moines MBA members, at their January meeting, voted a resolution expressing satisfaction that FHA will process and appraise G. I. loans under Section 505 and then went a step further and recommended that this agency do the job for all urban residential loans guaranteed by the VA. If such a resolution were submitted to all chapters, our guess is that it would get a big vote everywhere.

PEOPLE AND EVENTS

William K. Redman, a valued MBA member from Lexington, Ky., suggests the organization of a **Kentucky State MBA** . . . something we are all for. In Kentucky, legislation is being proposed to lower the legal limit for G.I.'s to 18 years, a problem which has caused some confusion in other states.

M. H. Guillot, Guillot Mortgage Co., has been named secretary and treasurer of **Dallas MBA** . . . other officers remain the same as reported here recently . . . **C. Armel Nutter** of Camden, N. J., is speaking before the Sales Conference of the Philadelphia Real Estate Board March 8th on "How to Obtain Mortgage Business." **President Mahan** is addressing our New Jersey Chapter on the same day . . . the MBA executive committee and various other committees are meeting in Chicago March 1 and 2 at the Drake Hotel.

in all instances, adhere to both the sentiment and the letter of the restrictions."

This action represents the fullest cooperation possible with the objectives of the ODT in cutting travel to the bone. Cancellation of the board meetings, which usually are attended by less than fifty, is evidence that MBA wants to extend every assistance. The executive committee action was based largely on the letters received at the national office in recent weeks which indicated an overwhelming opinion on the part of members to do everything possible to carry out not only the letter but the spirit of ODT's ruling. So until 1946 we won't be getting together again. No announcement has been made of elections but a mail ballot seems to be the only answer.

J. K. BEWLEY ELECTED NEW OKLAHOMA MBA PRESIDENT

J. K. Bewley, vice president, Mager Mortgage Company, Tulsa, was elected president of the Oklahoma MBA to succeed W. R. Johnston at the chapter's annual meeting in Oklahoma City. Col. Ellis Stephenson, vice president, American First Trust Company, Oklahoma City was elected vice president and Paul X. Johnston, vice president, W. R. Johnston Company, Inc., Oklahoma City, was elected secretary and treasurer. Among the speakers were R. O. Deming, Jr., Oswego, Kan., who discussed current MBA activities and O. K. Wetzel, state director of FHA, who spoke on the FHA and G. I. programs. E. L. Gragg, chairman of the legislative committee, reported on pending state legislation.

GRANT SILVERNALE NAMED NEW HEAD OF SPOKANE MBA

Grant J. Silvernale, Murphrey-Favre Co., has been elected president of the Spokane MBA to succeed J. J. Dulany. Wallace D. Baker, Elmendorf-Anthony Co., was elected vice president and E. W. van Tyen, Hypothek Land Co., was elected secretary and treasurer.

